

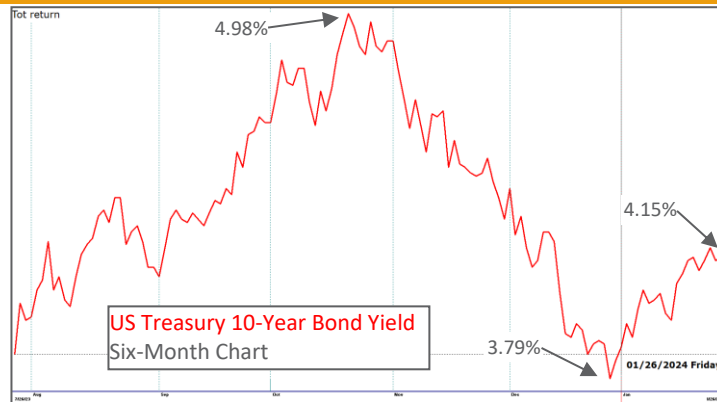


# RGB Perspectives

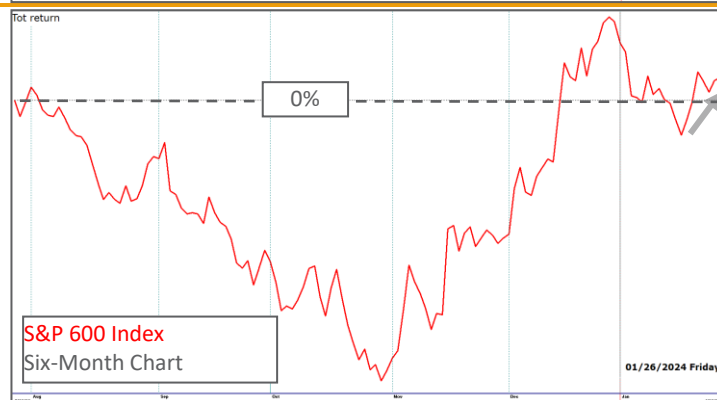
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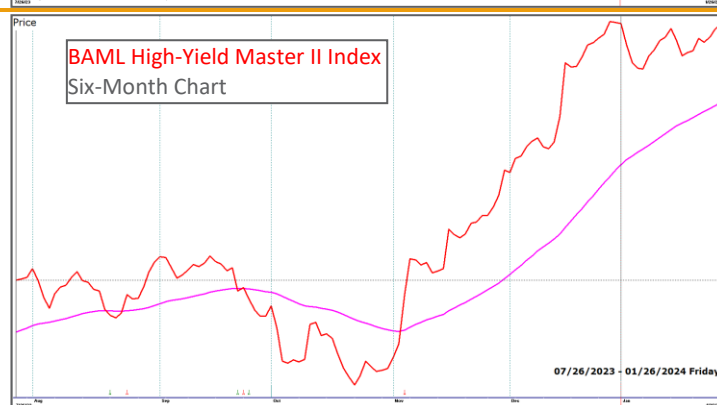
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The short-term trend of interest rates remains up, although the rate of increase may be starting to slow. The **US Treasury 10-Year Bond Yield** is at the same level it was one week ago. Although we don't know what will happen in the future, I anticipate that the recent rise in interest rates is a short-term correction in a longer term downtrend that started in October of last year.



Interest rates impact bond prices but also influence stock prices. Small-cap stocks are sensitive to interest rates and the price of small-cap stocks tends to be inversely correlated to the US 10-Year Bond Yield. Note how the **S&P 600 Index** trended up while rates moved down at the end of last year. Similarly, small-cap stocks started to move down when rates moved higher in early January. However, last week we saw a divergence in this relationship as small-cap stocks are now in a very short-term uptrend. Could this be an indication that rates have reached a short-term peak?



Interest rates also impact the price of bonds. However, junk bonds have held up reasonably well as the **BAML High-Yield Master II Index** has moved sideways over the last month while rates moved higher. This is generally a positive sign for the overall stock market and indicates that investors remain willing to take on risk. A breakout to new highs would bode well for stock market.

This coming Wednesday, the Federal Open Market Committee concludes a two-day meeting to discuss the future state of monetary policy. It is widely expected that the committee will keep interest rates steady in the range of 5.25% - 5.50%. However, investors, who are expecting the committee to start reducing rates by the May meeting, will be looking for clues to the future path of interest rates. Any deviation from current expectations could cause some volatility in both the stock and bond markets.

We are a little over one week away from the [RGB Capital Group Annual Update Webinar](#) which will be held on Wednesday, February 7, 2024 at 5 pm PT (8 pm ET). The webinar is intended for clients, as well as others interested in learning more about the services we provide. Specifically, we will review the current market environment, the RGB Capital Group investment strategies, and our approach to risk management. In addition, you will be able to connect with the RGB Capital Group team and have your questions answered. If you haven't already registered and would like to join the webinar, please register [here](#). A recording will be available to those that register.

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